



Agenda

Finance Committee Meeting
City Council Chambers
February 1, 2010 – 5:15 pm

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF CONSENT AGENDA
5. APPROVAL OF MINUTES:

JANUARY 19, 2010

CITY CLERK'S OFFICE

DATE 1-29-10 TIME 10:40

SERVED BY Laura V. [Signature]

RECEIVED BY [Signature]

INFORMATIONAL ITEM

6. UPDATE ON CITY BUDGET PROCESS (DAVID MILLICAN)
 - A. PEER REVIEW TEAM PRESENTATIONS
 1. PEER REVIEW TEAM 2 PRESENTATION – SOLID WASTE, WASTEWATER (JIM MONTMAN)
 2. PEER REVIEW TEAM 4 PRESENTATION - COMMUNITY SERVICES (THOMAS WILLIAMS)
 3. UPDATE AND REQUEST FOR APPROVAL OF CONVENTION AND VISITORS BUREAU RESPONSE TO PEER REVIEW TEAM 3 RECOMMENDATIONS PRESENTED ON JANUARY 19, 2010 FINANCE COMMITTEE MEETING (BARB BOLTREK)
 - B. PROPOSALS TO IMPLEMENT BUDGET BALANCING MEASURES FOR FISCAL YEAR 2009/2010 AND FISCAL YEAR 2010-2011
 1. REVENUE AND ECONOMY UPDATE
 2. MID-YEAR REVIEW AND CONTINGENCY PLAN STATUS
 - C. STATUS UPDATE ON THREE (3) CONDITIONS FOR NEW BUDGET MEASURES FOR FISCAL YEAR 2010/2011
 1. CONTRACT REDUCTIONS
 2. CONTINGENCY PLANNING
 3. PRESENT RESTRUCTURING COMMITTEE PLAN



Agenda

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CONSENT AGENDA

7. REQUEST FOR APPROVAL OF STATE OF NEW MEXICO GOVERNMENTAL SERVICES AGREEMENT – WILDLAND FIRE SUPPRESSION CREW AND SANTA FE RIVER RESTORATION PROJECT; STATE OF NEW MEXICO YOUTH CONSERVATION CORPS COMMISSION (PORFIRIO CHAVARRIA)
8. REQUEST FOR APPROVAL OF A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A **LOAN AGREEMENT** (“LOAN AGREEMENT”) BY AND BETWEEN THE CITY OF SANTA FE, NEW MEXICO (THE “GOVERNMENTAL UNIT”) AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL UNIT TO PAY A PRINCIPAL AMOUNT OF NO MORE THAN ONE HUNDRED FIFTY-ONE THOUSAND FIVE HUNDRED DOLLARS (\$151,500), TOGETHER WITH INTEREST, COSTS OF ISSUANCE AND ADMINISTRATIVE FEES THEREON, AND TO ACCEPT A LOAN **FOR THE PURPOSE OF FINANCING THE COSTS OF UPGRADES TO THE GOVERNMENTAL UNIT’S WATER UTILITY SYSTEM, INCLUDING SPECIFICALLY A MICRO-HYDROELECTRIC POWER GENERATION PROJECT**; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF, ADMINISTRATIVE FEES AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE PLEDGED REVENUES; SETTING A MAXIMUM INTEREST RATE FOR THE LOAN; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS RESOLUTION; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT. **PROJECT NO. 2431-DW** (COUNCILOR CALVERT) (DALE LYONS)

Committee Review

Public Utilities (scheduled)

Council (scheduled)

February 3, 2010

February 10, 2010

Fiscal Impact – Yes

END OF CONSENT AGENDA

DISCUSSION

MATTERS FROM THE COMMITTEE

9. ADJOURN

Persons with disabilities in need of accommodations, contact the City Clerk’s office at 955-6520 five (5) working days prior to meeting date.

SUMMARY OF ACTION
FINANCE COMMITTEE MEETING
Monday, February 1, 2010

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER AND ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved [amended]	1
APPROVAL OF CONSENT AGENDA	Approved [amended]	2
CONSENT AGENDA LISTING		2
APPROVAL OF MINUTES: JANUARY 19, 2010	Approved	3
<u>INFORMATION ITEMS</u>		
UPDATE ON CITY BUDGET PROCESS		
PEER REVIEW TEAM 2 PRESENTATIONS		
PEER REVIEW TEAM 2 PRESENTATION – SOLID WASTE, WASTEWATER	Information/discussion/direction	3-7
PEER REVIEW TEAM 4 PRESENTATION – COMMUNITY SERVICES	Information/discussion/direction	7-10
UPDATE AND REQUEST FOR APPROVAL OF CONVENTION AND VISITORS BUREAU RESPONSE TO PEER REVIEW TEAM 3 RECOMMENDATIONS, PRESENTED ON JANUARY 19, 2010 FINANCE COMMITTEE MEETING	No action/direction to staff	10-17
PROPOSALS TO IMPLEMENT BUDGET BALANCING MEASURES FOR FISCAL YEAR 2009/2010 AND FISCAL YEAR 2010-2011	Information/discussion	17-18
REVENUE AND ECONOMY UPDATE	Postponed to 02/15/2010	17-18
MID-YEAR REVIEW AND CONTINGENCY PLAN STATUS	Postponed to 02/15/2010	17-18
STATUS UPDATE ON THREE (3) CONDITIONS FOR NEW BUDGET MEASURES FOR FISCAL YEAR 2010/2011		
CONTRACT REDUCTIONS	No report to the Committee	18
CONTINGENCY PLANNING	No report to the Committee	18
PRESENT RESTRUCTURING COMMITTEE PLAN	No report to the Committee	18

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
<u>DISCUSSION</u>		
MATTERS FROM THE COMMITTEE	None	18
ADJOURNMENT		18

**MINUTES OF THE
CITY OF SANTA FE
FINANCE COMMITTEE**
Monday, February 1, 2010

1. CALL TO ORDER

A meeting of the City of Santa Fe Finance Committee was called to order by Chair Matthew E. Ortiz, at approximately 5:15 p.m., on Monday, February 1, 2010, in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:

Councilor Matthew E. Ortiz, Chair
Councilor Christopher Calvert
Councilor Carmichael A. Dominguez
Councilor Rebecca Wurzbarger

MEMBERS EXCUSED:

Councilor Miguel Chavez

OTHERS ATTENDING:

David Millican, Finance Director
Laura Vigil, Finance Division
Melessia Helberg, Stenographer.

There was a quorum of the membership in attendance for the conducting of official business.

NOTE: All items in the Committee packets for all agenda items are incorporated herewith by reference. The original Committee packet is on file in the Finance Department.

3. APPROVAL OF AGENDA

Mr. Millican asked to postpone Item #8 on the Consent Agenda to the meeting of February 15, 2010, because NMFA found that a number of its people are unable to accept the grants of Recovery Act [ARRA] money, so it has increased the amount of the grant. He said he said the timeline is okay, and "we will get another \$100,000 plus for this grant.

MOTION: Councilor Calvert moved, seconded by Councilor Dominguez, to approve the agenda, as amended.

VOTE: The motion was approved on a voice vote, with Councilors Calvert and Dominguez voting in favor of the motion, none voting against, and Councilor Wurzbarger absent for the vote.

4. APPROVAL OF CONSENT AGENDA

MOTION: Councilor Calvert moved, seconded by Councilor Dominguez, to approve the following Consent Agenda as amended.

VOTE: The motion was approved on a voice vote, with Councilors Calvert and Dominguez voting in favor of the motion, none voting against, and Councilor Wurzbarger absent for the vote.

CONSENT AGENDA

7. REQUEST FOR APPROVAL OF STATE OF NEW MEXICO GOVERNMENTAL SERVICES AGREEMENT – WILDLAND FIRE SUPPRESSION CREW AND SANTA FE RIVER RESTORATION PROJECT; STATE OF NEW MEXICO YOUTH CONSERVATION CORPS COMMISSION. (PORFIRIO CHAVARRIA)
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This item was postponed to the Finance Committee meeting on February 15, 2010

END OF CONSENT AGENDA

5. APPROVAL OF MINUTES: JANUARY 19, 2010

MOTION: Councilor Dominguez moved, seconded by Councilor Calvert, to approve the minutes of the Regular Finance Committee Meeting of January 19, 2010, as presented.

VOTE: The motion was approved on a voice vote, with Councilors Calvert and Dominguez voting in favor of the motion, none voting against, and Councilor Wurzbarger absent for the vote.

Councilor Wurzbarger arrived at the meeting

INFORMATION ITEMS

Chair Ortiz said, for the record, "Unlike what we did the last meeting, we didn't have the presentation in our packet, followed by the Department's response for CVB." He asked staff if this is an oversight.

Mr. Millican said it is an oversight

Chair Ortiz said, in the future, we will have the presentation, followed by the department response, as we had for the Water Division, but not by the CVB. He said the Committee will hear the rest of the departments at the Finance Committee meeting on February 15, 2010.

6. UPDATE ON CITY BUDGET PROCESS (DAVID MILLICAN)

A. PEER REVIEW TEAM 2 PRESENTATIONS

1. PEER REVIEW TEAM 2 PRESENTATION – SOLID WASTE, WASTEWATER (JIM MONTMAN)

Kate Noble gave introductory remarks, noting that the teams will be preparing an integrated plan after they incorporate Committee's thoughts, department/division responses and any staff responses which come after the initial presentations.

Jim Montman presented information via power point. A copy of the power point text is in the Committee packet. Please see this document for specifics of this presentation. Mr. Montman noted that the teams developed a lot of other recommendations across the two divisions, so it is a relatively long presentation. The majority of the recommendations will focus on revenue enhancements and efficiencies to be gained.

Chair Ortiz said the problem he sees with this presentation, conceptually, is that the team was not specific enough in terms of salary savings, although it is detailed in terms of what would work for the divisions. However, the goal is to reduce the budget deficit, primarily in the General Fund. He said to hear requests or recommendations, such as a division could start charging for services which would produce

\$300,000 for this division, really is a \$300,000 charge to the General Fund. This puts us in a deeper hole.

Chair Ortiz asked Mr. Montman to summarize quickly the recommendations, because of time constraints, noting a department submitted a late request which requires scrutiny, and the Committee has to act on the CVB. He asked Mr. Montman to highlight the source of funds, in terms of savings in the Solid Waste Division.

Mr. Montman said all "of these are recommendations."

Chair Ortiz said direction for follow-up, to the extent that all of these are recommendations and don't have an attached monetary value, is for the Team to provide dollar amounts on how much can be saved annually, and if the savings are recurrent or a one-time savings.

Mr. Montman said it will take a lot of effort, but the team will come back with that information.

Chair Ortiz said then perhaps the Committee should direct the divisions/departments to provide the financials in their reports. He said this Committee needs hard data, some of which is lacking in the presentation.

Mr. Montman said it helps the City in services from other City departments where the General Fund can draw from the enterprise funds, noting it already is done "to the tune of" \$850,000 for one of the divisions, and the other is approximately \$300,000 to \$400,000.

The Committee commented, asked questions, gave direction, and staff responded as follows:

- Chair Ortiz said you are asking us to collect peoples trash and charge people some unknown amount which has not been proposed. He asked how we are going to charge offenders for double trips, and what is the value of that – will it use existing staff, or is an additional staff person needed, and what will be the cost. Mr. Montman reiterated it is already being done in this case.

Chair Ortiz said the Committee wants specific numbers on how much can be saved either on a recurring basis or a one-time savings, which he doesn't see in any of these.

- Chair Ortiz asked the savings if we eliminated all of the personnel in glass recycling. Mr. Montman said there would be no change in positions, because we would still be doing recycling. He said what they want to see is to go to automated, using the same automated trucks and containers so there aren't two separate operations.

Councilor Calvert said, however, that means one operator per truck on recycling as opposed to two and Mr. Montman said this is correct. Mr. Montman said glass can be used as base course material, and we can require it to be used in projects that we do in the City. He doesn't know the dollar amount, because he doesn't know how much base course the City would use in a year, but it is an efficiency and additional revenue.

Chair Ortiz reiterated that it is the job of the departments and divisions to develop the numbers in giving their response to the Team's recommendations.

- Councilor Wurzburger asked what happens to the reclassification of the Assistant Director. Mr. Montman said it becomes the Administrative Manager position. Councilor Wurzburger asked if there is a cost savings, and Mr. Montman said no, it was just retitled. The position was given more supervision, with a better span of control. Councilor Wurzburger said she believes this is more than a retitling and she would like a justification for this.
- Councilor Wurzburger noted the number of vacancies in the Wastewater Management Division, and asked if they are proposing to keep these positions vacant, eliminate them or fill them. Mr. Montman said the slide is inaccurate. Councilor Wurzburger would like to know what the new organizational chart will look like, and if it has resulted in savings. Bryan Romero said it is very close, but he will update it.
- Councilor Calvert, referring to Compliance on packet page 9, said this doesn't require any cross-training and he would like to see this done across the Board, so we can do things quicker.
- Councilor Calvert said the suggestion is to create a financial analyst position in the Division. Mr. Montman said it could be in the division, or in the department, depending on the organization, noting there is an Acting Public Utilities Department Director. He said it would more specific to the finances of these three divisions within the Public Utilities Department, and they believe it would help Finance.

Responding to Councilor Calvert, Mr. Millican said this mirrors one of the recommendations which will be coming from Finance & Administration about concentrating financial capability in Utilities, noting it has some complicated financial management issues. He said it is not expected that any additional positions will be required, other than those contemplated right now which are vacant or can be reassigned.

- Councilor Calvert said, with regard to leadership training, what was described was more personnel and administrative training. He said people often are promoted to supervisory positions because they do their job well, but that doesn't necessarily make them a good supervisor. He believes we do need leadership training, noting a program run by the Chamber of Commerce which the City has utilized in the past and might want to do so in the future.

Mr. Montman said part of the recommendation deals with introducing the leaders to all of the other department functions so they can interact with other departments, depending on the level of leadership.

- Councilor Calvert said the cross training is happening in the Wastewater Division in relation to the Buckman Project.

Mr. Montman said that is between the Water Division and the Buckman, not Wastewater. He said this recommendation deals with Level 4 Operators. He said the City is going to be short of people and may need to utilize cross-trained personnel on an occasional basis.

Responding to Councilor Calvert, Mr. Montman said it is training and certification. However, the concern is if we do much of that, there could be a situation where you have to shut the wastewater plant. There are regulatory requirements with regard to how many of what kind of individual has to be on site, especially the Level 4 Operators, to operate the plant.

Councilor Calvert said he doesn't want to take from Wastewater and complicate its situation in the process. Mr. Montman said the team is suggesting cross-training/cross-utilization potential in the event the plant runs short on Level 4's, until the City can hire more Level 4's.

- Councilor Calvert said a spare automated truck is a good idea, but you need to do a cost analysis of when it is justified versus overtime. Mr. Montman said the team isn't suggesting a new truck, but better utilization of existing trucks. He said you can find a spare truck which is scheduled for maintenance, and remove it from scheduled maintenance and work the schedule so it is available.
- Councilor Calvert asked an explanation of the statement on packet page 24, "Stop allowing withdrawals from Solid Waste line items without notification or justification.

Mr. Montman said this happens when someone has the opportunity to write a purchase order for another division. He said, for example, at the Airport, he has no control over his electric bill and other bills written by someone else. He said sometimes the division sees a withdrawal in their account which came from a P.O. that someone else got or from a line item somebody else got. For example, a tire – it may have been a Solid Waste tire the first time, but now someone bought a similar tire and it shows up on their bill. This is another benefit in having a financial analyst.

- Councilor Dominguez asked if the organizational charts provided are after restructuring. Mr. Montman said the Wastewater one is current, but the Solid Waste includes the reclassification.

Councilor Dominguez would like to direct the division to quantify specific savings on some of these ideas heard along the way. He specifically is interested in the "Take Home Vehicle Abuse," commenting he is unsure what this means, but he is sure the City Manager will be looking at this. Mr. Montman said this particular idea also was brought up by H.R., and they have heard it everywhere they've gone.

- Councilor Dominguez asked the costs of the services which aren't being paid by other departments to Solid Waste and Wastewater. Mr. Montman said it is \$300,000 for Solid Waste, but he doesn't know the numbers for Wastewater.

Chair Ortiz thanked Mr. Montman for the work done, saying the Team put a lot of substance in the Report, although it didn't contain the financial details. He said the Divisions need to have these numbers when these Divisions come before this Committee on February 15, 2010, for approval of the Team recommendations. He said we have been told at the Public Utilities Committee, that the rate increase in

Solid Waste was because of the increase in SWMA fees, but we now are being told here that the increase is necessary because the Division is operating from reserves. He said we need to have a sense of the intersection between these two issues and how it impacts the current proposed rate increase, commenting that there will be some resistance to the Solid Waste rate increase, without seeing efficiency of service and improvement of the services provided. He looks forward to the Division's financial response to the Peer Review Team presentation.

Chair Ortiz said he would like to compare the amount Rio Rancho spends on its contractor and the amount the City spends on its solid waste operations. He would like those numbers.

2. PEER REVIEW TEAM 4 PRESENTATION – COMMUNITY SERVICES (THOMAS WILLIAMS)

A copy of "City of Santa Fe Peer Review Team 4, Report on Community Services Department," is incorporated herewith to these minutes as Exhibit "1."

Mr. Williams said Cal Probasco is the only other member of Team 4, noting two members dropped out early on, and Eva Martinez and Teri Rodriguez filled in for them to help to get the report done.

Chair Ortiz said this report was received very late, considering the amount of detail in the report. He thanked Ms. Rodriguez and Ms. Martinez for assisting the Team in writing the Review for their Department.

Mr. Williams apologized for the lateness of the report, and to the people interviewed because they promised to let them review the report prior to submission, saying he takes full responsibility for the lateness of the report. He said hopefully after this presentation, we can meet and discuss it.

Thomas Williams presented information regarding this matter via power point. Please see Exhibit "1" for specifics of this presentation. Mr. Williams said to strike the last bullet under Key Observations, and insert the following reworded bullet as follows: "There is a need to evaluate existing job duties to adequately evaluate cost saving opportunities from combining and augmenting closely related job function."

Mr. Millican said the Classification & Compensation Study is to evaluate internal equity and appropriate pay for the responsibilities, skills and knowledge. He said the opportunity here is to look for job duties and responsibilities in order to look for ways to assign those people flexibly among the various demands of the department.

Mr. Williams thanked the members of his team, the employees and directors of the divisions and their willingness to step in and assist in the process.

The Committee commented, asked questions, gave direction, and staff responded as follows:

- Chair Ortiz noted there is no monetary savings in moving the Juvenile Justice Program under the Children and Youth Commission. Mr. Williams agreed, with the exception of the items listed under benefits.
- Councilor Calvert asked that the Divisions indicate whether the recommendations are short, medium or long term in nature. He said we don't know how quickly renegotiations, if any, with the County would happen.
- Councilor Calvert said the demographics of the community are changing – we have an aging population, the senior population is growing – and we need to evaluate whether we can continue to provide the current level of services to this population, and at what level.
- Councilor Calvert said, regarding the proposed reorganization of the Children & Youth Commission, he would like the department/division's analysis of this proposal, and the rationale as to the reason for its current organization, and whether or not they would like to see it changed.

Councilor Dominguez said he has some direction for staff. He asked, in allowing competition for grants and the \$43,000, what that amount would allow to be done.

Councilor Dominguez would like to know what could be done with the \$43,000 from staff savings. With regard to reading programs, homework tutoring and computer tutoring, he would like to know if these will be implemented by staff. He would like more details on that proposal.

Councilor Dominguez would like an analysis of the cost to allow Monica Roybal and other City divisions to use the GCCC, consistent with the previous request. He said the GCCC is mandated to generate revenue, and if we are allowing free access, it that would hamper its ability to generate revenues.

Councilor Dominguez said, with regard to the egrants and other low hanging fruit, he would like staff to move forward with those right now, or at least start working on those.

Chair Ortiz said, "If we, as the Governing Body, don't attempt to cut some of the, what I'll call "sacred cow" departments – Public Safety, Transit – the balance of the cuts that are going to come, are going to come in Community Services and they're going to come in Land Use, in terms of the General Fund. Because, that is really the only place where we have the ability to squeeze what I would call discretionary services. And I'll say that I think that this report was solid in terms of its analysis that we need to reassess the relationship that we have with the County in spending City money essentially outside the City limits. I can tell you though, that my observation from the report is, you're not offering any cuts, any kind of department savings and there's no staff consolidation contained within any of this presentation. It's problematic to me."

Chair Ortiz continued, "Now, I can see, potentially, if we were to go forward on a recommendation to move some of these operations, Monica Roybal, some of these other programs, into recreation, that there would be an attempt to consolidate positions then. I didn't see any kind of analysis of reduction of positions. I think that reduction of library hours, or rescheduling of library hours, or some kind of analysis of library hours does need to take place as well. I know that there is a will on the Governing Body not to reduce in any way. I can tell you that I just don't see it happening. I think that we are in times where we need to readjust and relook at our options."

Chair Ortiz continued, "And, as it relates to the County issues, I thought that Councilor Heldmeyer and I, and I think Councilor Wurzbarger was the other cosponsor, I thought we passed a Resolution about the County/City breakdown on Senior Services. And, we were supposed to do the renegotiation that you're asking for, and so that needs to be addressed when the Department comes back with their response. Because I know when I was on the RPA, I voted against funding that Eldorado Senior Center with RPA monies, because, at the time, the City was responsible for the operation of that facility, and I thought we were going to get out of the business... the business of providing senior services to County facility – Eldorado and Edgewood come to my mind. It's a surprise that it's still on our books, and that we still have this deficit."

Chair Ortiz continued, "And, as a bargaining position with Santa Fe County... because I know the argument from County Commissioners is always, 'Well County residents come in and spend gross receipts monies and that's why you can't renegotiate some of these MOUs.' My argument to them is, well, then, why are we paying jail fees at the Detention Center, because all of those detainees are County residents, but yet we have to pay out of our Public Safety budgets, \$600,000 to \$700,000 a year to the County for detaining people. And, so I think that there are some negotiating points that we can make with Santa Fe County to come up with a more equitable split. I don't think that that's the remedy. And if this Department thinks that the only way they can do this is by revenue enhancing, by trying to put this cost on Santa Fe County, they're mistaken."

Chair Ortiz continued, "This Department and Land Use Department, some of the general government departments, these are the departments where general revenues have got to be shaved, especially if we're not going to touch Transit or Public Safety. And so, there has to be, I think, a more concerted effort among the departments to find those savings and to bring them into focus. And, that's the initial hit I got from the recommendations."

- Chair Ortiz asked Mr. Williams if he would make the IT recommendations for all departments. Mr. Williams said this is correct and those will be covered more extensively in the Peer Review of the Finance Department and the IT Division.
- Chair Ortiz said there is an incentive, a willingness to spend money on capital if it results in income savings in the future, to the extent we can identify those specifically – if we can find legitimate savings in doing this.

Councilor Calvert would like to direct staff to move forward on the applications for the e-rate technology grants.

Mr. Williams said he had an initial meeting with a vendor who is going to assist us in this regard, and it is his intent to apply for the July 1, 2010 period.

Councilor Wurzbarger would like to reinforce the contingency planning process in this process.

Councilor Dominguez encouraged the department/divisions to look at the collaboration with the GCCC, and how that might work..

3. UPDATE AND REQUEST FOR APPROVAL OF CONVENTION AND VISITORS BUREAU RESPONSE TO PEER REVIEW TEAM 3 RECOMMENDATIONS, PRESENTED ON JANUARY 19, 2010 FINANCE COMMITTEE MEETING. (BARB BOLTREK)

A copy of "Summary of Department Response," prepared by Keith Toler, is incorporated herewith to these minutes as Exhibit "2."

Mr. Millican said Keith Toler has brief a presentation to lead his response.

Responding to the Chair, Mr. Toler said it will amplify the response in writing which is in the Committee packet.

Mr. Toler presented information in Exhibit "2" via power point. Please see Exhibit "2" for specifics of this presentation.

Mr. Toler noted that no convention center in the country pays for itself, and we should not expect this convention center to generate sufficient revenue to pay for its operation. He said, "It will never happen." He said when the debt service is paid in 20 years, there will then be a profit. He said it becomes a question of how much the City wants to subsidize business coming into the Convention Center.

Mr. Toler said he is proposing to limit lodger's tax use strictly to fund CVB operations, CCC operations, CCC debt service and the Arts Commission, noting that he is looking to cut the CVB budget between \$200,000 and \$300,000, "living within our means."

Mr. Toler stressed that he has not consulted with David Millican about the financial implications of these proposals, saying these are his ideas and they need to be fleshed out further. He is willing to make the necessary changes, but they need to be smart changes which are good for the department.

The Committee commented, asked questions, gave direction, and staff responded as follows:

- Chair Ortiz said Mr. Toler's proposed savings come at the expense of the General Fund. Mr. Toler said yes, but they will be generating additional revenue for the General Fund.

Chair Ortiz asked Mr. Toler if he is promising if we take a \$1.1 million hit in the General Fund and convert the special uses into the Lodger's Tax, that we would be generating \$750,000, so we are spending \$1.1 million to get \$750,000. Mr. Toler said yes, but he is taking the cut in the \$350,000 which is left over.

Chair Ortiz said this comes by shipping the burden to the General Fund. Mr. Toler said he is reducing his budget to \$2.2 million from the \$2.5 million that the \$1.1 million subsidized.

Chair Ortiz asked Mr. Toler where he will make the cuts. Mr. Toler said if the City implements the program he just discussed and the other cuts he proposes, that is \$135,000, clarifying this is the total of everything he just proposed.

Chair Ortiz said he promised another \$200,000 to \$300,000 in savings, and asked where he will make-up the other \$100,000. Mr. Toler said unfortunately, those will come from the marketing contracts.

- Responding to the Chair, Mr. Toler said Steve Lewis is paid \$185,000 annually. Chair Ortiz asked if Mr. Lewis agreed to a 10% cut last year. Mr. Toler said no.
- Responding to the Chair, Mr. Toler said the Visitors Guide is published by a local company, Bella Media, owners of the Santa Fe Inn. He said they pay the City \$50,000 a year.
- Chair Ortiz asked if there are other marketing contracts. Mr. Toler said the advertising contract is \$800,000, and he will cut \$100,000 from that contract.

Chair Ortiz said this Committee directed departments to contact its contractors and ask to renegotiate their contracts. He said there would be an \$18,000 savings at 8% on Steve Lewis's contract, and \$80,000 on the advertising contract with a 10% reduction. He said these would be savings, whether or not the Governing Body agrees with Mr. Toler's idea to give him all of the Lodger's Tax. Mr. Toler said this is correct.

Mr. Toler said he has issued RFPs for advertising agencies, PR firms, web design firms and a publisher for the Visitor's Guide. The RFPs closed on Friday, and this is a perfect time to renegotiate those contracts with existing or new vendors.

Responding to the Chair, Mr. Toler said his plan is to reduce those contracts, regardless of whether he gets direction from the Governing Body, because we aren't generating sufficient Lodger's Tax to make those contracts viable at this time. He said we have to work within our budget.

- Chair Ortiz noted these funds have been used to fund a wide variety of special uses, including augmenting or supplementing functions normally paid by the General Fund and asked Mr. Millican to respond to this proposal.

Mr. Millican said he did not edit that response, but believes there are some very difficult problems in trying to decide how to replace the funding. He said one way would be to recover part of the costs from the people doing the events. However, he doubts all of the costs could be recovered, because of the size and scope of support provided to these events. He has not had a chance to talk in detail about how to absorb the general fund hit, and he would have to come back with a plan for that.

- Chair Ortiz asked the rationale for having in-house, local sales staff not on contract or paid on a contingency basis.

Mr. Toler said he wants someone on site to deal with incoming calls when someone calls unsolicited to book business, which he doesn't believe could be readily "farmed out" to someone on the outside. He said we have in-house, dedicated sales representatives, and anyone outside would be representing other destinations, and the City would be only one of their clients. He said the more people we can have selling, the better, and to have two on staff is better.

- Chair Ortiz said asked Mr. Toler if it is his opinion, in this economy, that he can't come up with an RFP that is specifically designed for local responders to do this work done by salaried staff.

Mr. Toler said it is desirable to have people working in the industry who knows how it works and have the experience. He said we could do that, but he doesn't know how can we prevent them from having other clients when we are paying them on a commission basis. He said you will pay them a little more, but you really are paying less than people on staff because we pay their benefits.

- Chair Ortiz asked the amount of the General Fund portion of the CVB budget. Mr. Toler said he has no general fund money, and right now is totally funded by the Lodger's Tax, and this year was paid from Lodger's reserves.

Mr. Millican said that is about \$350,000 in reserves, and except to the extent that support services provided to the CVB are not charged at full value, there is no direct budget support from General Fund.

Chair Ortiz asked how much other departments took out of the Convention Center's budget last year for indirect cost of services. Mr. Millican doesn't know that number, but they do make a charge, and he can provide that amount to the Committee.

- Chair Ortiz asked, given the hit on Lodger's Tax reserves this year, what is anticipated for the CVB. Mr. Millican, said at the current level, it may be twice the amount, up to \$700,000, noting the total reserves are \$3.6 million, after deducting the \$700,000

- Councilor Calvert noted in his report, Mr. Toler says, "The CVB purchased new software and is using it to record all sales leads and to link sales leads to a specific travel...." He asked, since we are spending \$80,000 for this new software, if it can track bigger items such as ad campaigns and such, to see the return on investment.

Mr. Toler said they really can't track, because we don't know that someone saw our ad and called. He said we do see spikes in the internet traffic when advertising runs, noting 82% of the advertising budget was spent on placement, not on production of the ads.

Councilor Calvert understands he can't track it on a scientific basis, but asked Mr. Toler if he can see which campaigns provide more bookings in local hotels. Mr. Toler said yes, and we know that Denver/Dallas/Albuquerque are pulling the best for us. These are the only markets we've been in, although we have done some niche for the Arts Market, and for a few others nationally.

Councilor Calvert said he would like to be able to track what works and doesn't work. Mr. Toler said he does track advertising equivalency on the P.R. side, but he can't say how many people actually came to Santa Fe and spent money. He said if we don't advertise, people won't come.

- Councilor Calvert said we are looking to cut where we can. However, his comment is whether we want to cut in an area where we are trying to generate funds. Mr. Toler said no. However, to do cuts of this size, it is the biggest line item.

Councilor Calvert said we were able to fund a certain amount of stimulus in our economy to do energy conservation and alternative energy – we invested to help us come out of the recession. His concern is whether we cut our way out of the problem, or do we have to do some spending. Mr. Toler said if we do have to cut the advertising budget, then he will do more emphasis on PR. He said we now have 240,000 opt-in subscribers to our e-news, and we also use Facebook and Twitter which don't cost anything..

- Councilor Dominguez said it is his opinion, based on what he's heard from constituents, read in the newspaper and from the discussions at Council, that a lot of work still needs to be done to be sure we're fiscally sound in this area. He said it seems, in talking to constituents, that many local groups and people feel they are being excluded from the Center. He asked, aside from those organizations which have been approved via ordinance and resolution, Mr. Toler's definition of a local event, and what he is doing with advertising funds to attract locals to do wedding parties, graduation and such.

Mr. Toler said according to the annual report, 30% was local business – quinceaneras, weddings, meetings, etc., 51% were meetings, and 18% were conventions/exhibitions.

Councilor Dominguez asked Mr. Toler what he would consider to be a local event.

Mr. Toler said that would be an event by an individual that lives here or is a non-profit in Santa Fe. He said the only local advertising done was \$15,000 in La Herencia. Responding to Councilor

Dominguez, Mr. Toler said the advertising budget for meetings, conventions and Convention Center use it is \$100,000 and \$692,000 for leisure travel "heads and beds." He said they did advertising for local events and spent about \$25,000.

Councilor Dominguez asked Mr. Toler if he is planning to increase this amount in the effort to make business better. Mr. Toler said he wants to do a locals, mid-week promotion – let people know we are reducing rates for locals – which will roll-out around March 1, 2010.

- Councilor Dominguez said one of his recommendations was in regard to mail room staffing efficiency. He asked Mr. Toler if he discussed this with the City Manager and the City Clerk. Mr. Toler said he discussed it with the previous City Manager and the City Clerk when she had two vacancies.

Councilor Dominguez asked the result of the discussion with the City Clerk. Mr. Toler said she was planning to fill the two positions, but she wasn't ready to take on two additional staff. He has not discussed this with the current City Manager, although the current City Manager has reviewed the recommendations.

Councilor Dominguez said communication is always key in looking at organizational impacts, and City operations. He requested that staff provide a written break-down of the savings in terms of the impact on Lodger's Tax, and not articulated verbally. He was unclear when Mr. Toler was answering Chair Ortiz's questions, exactly where the savings were, where they would be used, etc. .

Councilor Calvert asked Mr. Toler to "take this page" and show your differences.

Councilor Wurzbarger said she appreciates Mr. Toler's ideas. She said, as part of this process, we as Councilors, beginning at the Finance Committee, have to look at whether people are paying for the real cost of services provided to the important events which are held in Santa Fe, and we have to look at this courageously. She said, to reinforce Councilor Calvert's remarks, at times like these, it is a huge mistake to cut tens of thousands of dollars at the risk of not increasing the business we have to do. However, this is not to say we should not look at how we are spending our money systematically. She said this statement is for the record.

Councilor Wurzbarger said we need to look across divisions having anything to do with economic development, "starting with Economic Development." She said there is \$1 million in the Arts Commission, which we tend to use just for art, and we are starting to look at entrepreneurship training for our artists which results in GRTs. She reiterated that we need to look at divisions dealing with economic development, and see that those are a critical piece as we move forward. She said that could mean taking "\$50,000 from here or \$100,000 from here," on a short term basis, and she requested that the City Manager look at these possibilities.

Councilor Wurzbarger said, in approving the Convention Center, we didn't envision this downturn in the economy, but we did establish a reserve. She would like the City to develop a tactical plan for the next two years, which looks at what we need to do to make this come to fruition.

Councilor Wurzbarger said it is important that we not get into the same position as the GCCC, and wants staff to ensure that all systems are working properly while still under warranty, noting that Darlene Griego is doing this important work now. She believes this kind of cut "would be absolutely dysfunctional to how we proceed with this building."

Councilor Wurzbarger said she would like to give guidance to the City Manager to look at these options, and start looking for sources of funding.

Councilor Wurzbarger said, with regard to Buffalo Thunder, she was naive about the impact on our convention business. She said we really need to look at the local basis in the long term. In the short term, she said, "If it's empty, let's get somebody in there, even for a much reduced rate, because that's better than no rate." She understands there is wear and tear, but we need some interim strategies, such as that, to get us over this hump. Responding to Councilor Wurzbarger, Mr. Toler said there were activities in the Convention Center for 259 days last year instead of the 219 projected.

Chair Ortiz said, "When we had that initial discussion about the software to track sales, one of the other things that was going to come forward through OTAB was a consideration of policies and procedures. I know there was some resistance in having the Council look at and approve those policies and procedures. And, in order to give staff maximum flexibility... and then, we've heard anecdotally, I have, as Councilor Dominguez has referred to... that without clear direction to staff, we lost our own employee Christmas party, and we're not having the Democratic convention here."

Chair Ortiz continued, "And, there's other kinds of things that we hear about, after the fact. And, if we had a clear understanding of what those policies and procedures are, we could, I think, give clear direction to sales staff and other people about what exactly does it mean to consider a local event or not. I will tell you, unequivocally, for nine years, I've thought the amount of money we've been spending on advertising has been, philosophically, been throwing bad money after good. And I will tell you, unless you can show otherwise, that spending money on print runs, newspaper advertisements, are productive in terms of generating sales.... I have yet to see that from you, or the other three directors that preceded you, in the ten years I have been serving on the Governing Body... no one can justify the money that we've been spending on advertising."

Chair Ortiz continued, "We can talk about it in concept, and yet, we never see any data. It was Gary Ellard, who has passed, who was a good man, who raised this idea early on, when we had proponents on this Governing Body, and in the community, basically from the hotel industry – Joe Schepps, who was here, and other people, Randy Randall was one of them, he's no longer at Eldorado – who said we need a new convention center, and we can't continue to do it in this old gym. And some of us said, what about Buffalo Thunder and what about the impact that they have. And, we didn't have enough information then to convince some of us to have that plan in place before we started. Right now, we can blame the economy or we can blame the competition, or we can say, well, that's why we had a reserve. But no. the reason we had a reserve is that it was to go for capital. It wasn't to go for shortfall. It wasn't going to cover debt service. We had a reserve, just like we had with the water company, that has been

used now to pay for shortfalls that have been identified. We asked a year ago, track the leads so we can see justification. Where's that report. When is it going to come. We've asked for policies and procedures. Where is it. Has it gone through OTAB and when are we going to see it."

Chair Ortiz continued, "Again, I understand that there is a need to have economic development, and to say that everything that happens in tourism is a good thing, and that it produces revenues. But, to say that we're going to give up \$1.1 to get a generation of \$750,000 is not making sense. And so, again, without hearing the response from the administration on what you propose, only being able to read some of it in the paper and to see it here, I can't tell you that I support the recommendations coming from the Department. I don't know necessarily if the Peer Review Team recommendations are to be followed either. It would be my hope that there could be some kind of collaboration between, which really may be the City Manager's ultimate responsibility to mark up the differences that he finds between what you have presented, which is essentially... I guess the theme for tonight has been let's take these enterprise funds in order to stabilize their sources, let's put more impacts on the General Fund... that's been the theme in all of these enterprise funds, or the County... to reconcile that with the very hard decisions that have to be made."

Chair Ortiz continued, "There are some services that we can tap the Lodger's Tax for that we've never tapped, because we have to spend the amount of money that we spend on the reserves. We have spent capital improvement monies, CIP monies for Lodger's Tax purposes, in terms of beautifying, updating and maintaining the Plaza, the central tourism trap or destination for people who are coming here to Santa Fe. We could use Lodger's Tax for that. We've always had resistance, because, to the extent that the hospitality industry wants to preserve the amount of money being spent on itself, to the detriment of the rest of the community, they have done that and been successful, politically, in convincing a majority of the Governing Body to not touch it. There's other uses for the Lodger's Tax, and we don't have to spend it all on the civic center."

Chair Ortiz continued, " And, again, in these times, when we are looking at things differently because we have to, we have to start thinking about what it means really to be an attractive destination for people to come and visit. An attractive destination means we have to be a safe community, and we have to have a clean community, and we have to make sure that we have all of those other things that have a rationale and a purpose for attracting lodgers – that's part of the reason why we have a Lodger's Tax. We could think outside the box if we wanted to. Or, we could take the direction that's being proposed to us, and spend it all on just attracting tourism and further crippling the kinds of services that, hopefully, some of the people come to Santa Fe for. That's my sort of initial take on your Department request. I can't support the Department request. I don't think I'm in a position to support the Peer Review Team recommendations." Chair Ortiz asked the Committee what it would like to do regarding this request/recommendations.

MOTION: Councilor Dominguez moved to send this to the City Manager to take a closer look at some of this, in particular, some of the areas where communications are happening with other departments and divisions, and to look at what may become part of the business plan, and see where this fits in the plan. The motion was seconded by Councilor Wurzbarger with the condition that it include her "original long diatribe," about the need to look across divisions to make this work. The maker of the motion agreed.

RESTATEMENT OF THE MOTION: Chair Ortiz restated that Councilor Dominguez moved, seconded by Councilor Wurzbarger, to take no action on either the Department recommendation or the recommendation of the Peer Review Team, and to give direction to the City Manager to consider all of the discussion which has taken place during this meeting this evening, in addition to Councilor Wurzbarger's direction to look across all departments for economic development solutions and to look at short term and long term strategies, so we can get through the next 6 months to one year and utilize the facility to its highest and greatest use, and know that some money is better than no money. **The maker and second agreed with the restatement of the motion.**

DISCUSSION: Councilor Calvert said having the City Manager look these recommendations and consider the discussion, will give an overall perspective and not just the Department Director's perspective, and how to fit these into all of the needs of the City.

Councilor Dominguez said it gives the Finance staff the opportunity to look at the potential fiscal impact.

Mr. Millican said this is completely consistent with what staff thought might emerge from this process, which is fine. He said staff will be producing a "City Manager's Version," which includes the Finance Committee's recommendations as well as the City Manager's recommendations about issues which were otherwise unresolved.

Chair Ortiz said, to be consistent with the City Manager's directive and "my email," he has received no follow-up requests from people speak to the Committee. He asked if there are members of the public or staff who wish to address this Committee before the members deliberate on the motion.

Chair Ortiz said, "Okay. So, there is a motion and second, which is really giving direction to the City Manager."

VOTE: The motion was approved unanimously on a voice vote.

B. PROPOSALS TO IMPLEMENT BUDGET BALANCING MEASURES FOR FISCAL YEAR 2009/2010 AND FISCAL YEAR 2010-2011.

- 1. REVENUE AND ECONOMY UPDATE**
- 2. MID-YEAR REVIEW AND CONTINGENCY PLAN STATUS.**

Chair Ortiz said there is a different calendar in the packet for this agenda item, which means that the meeting on February 15, 2010, will be much longer than usual. He said the Committee also will need to take action on Wastewater and Solid Waste.

Mr. Millican said the Committee also will be getting the Mid-Year and Contingency presentation as well at that meeting.

Chair Ortiz asked Mr. Romero and Mr. Millican to check their schedules, because he would like to meet just prior to the Council meeting next week about the presentations and packet materials for the meeting of February 15, 2010. He would like, to the extent possible, to get the materials for discussion in the Committee packet which goes out prior to the meeting, so the Committee can study the materials prior to the meeting.

Chair Ortiz said the Committee window to look at the 2010/2011 proposed budget is April 12-30, 2010.

- C. STATUS UPDATE ON THREE (3) CONDITIONS FOR NEW BUDGET MEASURES FOR FISCAL YEAR 2010/2011**
- 1. CONTRACT REDUCTIONS**
 - 2. CONTINGENCY PLANNING**
 - 3. PRESENT RESTRUCTURING COMMITTEE PLAN**

DISCUSSION

9. MATTERS FROM THE COMMITTEE

There were no matters from the Committee.

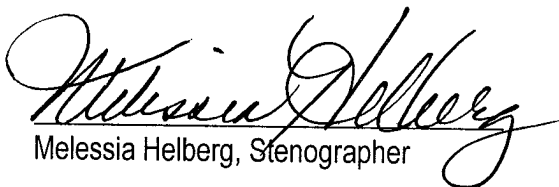
10. ADJOURNMENT

There was no further business to come before the Committee, and the meeting was adjourned at approximately 8:00 pm.

Matthew E. Ortiz, Chair

Reviewed by:

David N. Millican, Director
Department of Finance



Melessia Helberg, Stenographer